

WATER/FLC/ABJ/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Advisory Branch**

**RESOLUTION NO. W-4199
June 8, 2000**

R E S O L U T I O N

**(RES. W-4199), ROLLING GREEN UTILITIES, INC. (RGU),
WATER DIVISION. ORDER AUTHORIZING A GENERAL
RATE INCREASE IN WATER RATES PRODUCING \$3,497 OR
5.14% ADDITIONAL ANNUAL REVENUE.**

SUMMARY

By Draft Advice Letter, accepted September 14, 1998, RGU requested an increase in its rates for water service to recover increased expenses of operation, and to provide a 13.5% return on rate base. This Resolution grants an increase in gross annual water revenues of \$3,497 or 5.14% for Test Year 1999. This increase will provide a rate of return on rate base of 13.5%.

BACKGROUND

RGU requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$14,388 per year or 21.15% in 1999. RGU presently serves 250 metered connections.

The last general rate increase for water service became effective on June 13, 1995, pursuant to Commission Res. W-3919, which increased rates by \$7,928 or 15.95%. RGU's present water rates became effective on November 21, 1999, when it was authorized a one-time surcharge of \$8.44 to each customer's bill to recover Department of Health Services and water testing fees under Res. W-4013.

DISCUSSION

The Water Advisory Branch (Branch) made an independent analysis of RGU's summary of earnings. As a result of its investigation, Branch recommended no rate increase as set forth in its "Report on the Advice Letter General Rate Increase for Rolling Green Utilities, Inc. Water Division," dated December 22, 1998. RGU opposed Branch's recommendations and exercised its appeal rights by protesting to the Water Advisory Branch Chief then to the Water Division Director. In the appeal process, RGU provided additional information to support its protest.

After review of the additional information submitted by RGU, the Branch revised its recommendations which are shown in Appendix A. Appendix A shows differences in RGU's and the Branch's estimates of revenue, expenses, and rate base. RGU agrees with Branch's revised recommendations.

RGU's draft advice letter requested rates which it estimated would produce a rate of return on rate base of 13.50%. The summary of earnings in Appendix A shows a rate of return of 13.50% at Branch's recommended rates. This rate of return is the midpoint of the 13.0% to 14.0% rate of return range recommended by the Commission's Audit and Enforcement Branch for Class D water utilities.

Under guidelines established in Decision (D.)92-03-093, the Commission staff must calculate net revenues by both the rate base/return method and the operating ratio method, selecting the method that produces the most revenue. Using a rate of margin 20% in the operating ratio method calculation, the rate base/return method produces the greater revenue in this case.

RGU's filed tariff currently contains one rate schedule – 1, General Metered Service. At Branch's recommended rates, the monthly bill for a typical ¾-inch metered customer using 20 Ccf of water will increase by \$1.53 from \$22.31 to \$23.84.

Branch reviewed RGU's Water tariff schedules and found that the following needs to be updated: Rules 5, 7, 9, 10, 11, 20, and 21; and Forms 2 and 3.

NOTICE AND PROTESTS

A notice of the proposed increase in rates and notice of a public meeting was mailed to each customer on October 15, 1998. The Branch received four letters protesting the increase. On November 4, 1998, the Branch held an informal public meeting in RGU's service area. The Branch's representative explained the Commission rate-setting procedures and the utility's representative explained the need for the rate increase. Approximately 80 people attended, most of whom objected to any increase in rates.

FINDINGS AND CONCLUSIONS

1. The Branch's recommended Summary of Earnings – Water Division (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.

3. The quantities (Appendices C and D) used to develop Branch's recommendation are reasonable and should be adopted.
4. The rate increases proposed by the Branch are justified; the resulting rates are just and reasonable.
5. RGU should be ordered to update Rules 5, 7, 9, 10, 11, 20, and 21; and Forms 2 and 3.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Rolling Green Utilities, Inc. – Water Division, to file an advice letter incorporating the Summary of Earnings and revised rate schedule attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its presently effective rate Schedule No. 1, General Residential Service. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall be five days after the date of filing.
2. Within 60 days after the effective date of this resolution, Rolling Green Utilities, Inc. shall file an advice letter updating its Rules 5, 7, 9, 10, 11, 20, and 21; and Forms 2 and 3.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on June 8, 2000. The following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President

HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
CARL W. WOOD

Commissioners

APPENDIX A

Rolling Green Utilities, Inc. - Sewer Division

SUMMARY OF EARNINGS

Test Year 1999

<u>Item</u>	<u>Original Utility Request</u>		<u>Branch Estimated</u>	
	<u>Present</u> <u>Rates</u>	<u>Requested</u> <u>Rates</u>	<u>Present</u> <u>Rates</u> <u>Res. W-4152</u>	<u>Recommended</u> <u>Rates</u>
<u>Operating Revenue</u>				
Flat Rate	\$45,470	\$71,429	\$55,865	\$63,089
<u>Operating Expenses</u>				
Employee Labor	9,428	9,428	-	-
Materials	3,719	3,719	3,598	3,598
Contract Work - Lab	1,300	1,300	1,300	1,300
Contract Work - Other	1,993	1,993	1,993	1,993
Transportation	2,421	2,421	1,427	1,427
Other Plant Maintenance	158	158	158	158
Sewer Lease	4,183	4,183	3,984	3,984
Office Salaries	4,188	4,188	4,188	4,188
Management Salaries	12,570	12,570	17,975	17,975
Employee Pension & Health	2,633	2,633	3,268	3,268
Uncollectibles	263	263	140	140
Other Services & Rent	494	494	494	494
Office Supplies	1,849	1,849	1,849	1,849
Professional Services	1,417	1,417	1,125	1,125
Insurance	1,380	1,380	1,877	1,877
Regulatory Expense	1,250	1,250	-	-
General Expenses	400	400	400	400
Subtotal	49,646	49,646	44,819	44,819
Depreciation	5,440	5,440	4,093	4,093
Franchise Fee	-	-	1,117	1,262
Property Taxes	3,334	3,334	594	594
Payroll Taxes	2,290	2,290	1,982	1,982
Income Taxes	267	2,373	1,169	2,328
Total Deductions	60,977	63,083	53,774	55,078
Net Revenue	-15,507	8,166	2,091	8,011
<u>Rate Base</u>				
Average Plant	178,437	178,437	178,437	178,437
Avg Accumulated Deprec.	122,082	122,082	120,096	120,096
Net Plant	56,535	56,535	58,342	58,342
<u>Plus: Working Cash</u>	4,135	4,135	-	-
Materials & Supplies	-	-	1,000	1,000
Rate Base	60,490	60,490	59,342	59,342
Rate of Return	-26%	14%	3.52%	13.5%

APPENDIX B

Rolling Green Utilities, Inc.
Water Division

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Rolling Green Terrace Subdivision (Tracts 1, 2, 3, and 4) near the town of Big Pine, Inyo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
All water, per 100 cu.ft.	\$0.55	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	8.56	(I)
For 3/4-inch meter	12.84	
For 1-inch meter	21.40	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C

Rolling Green Utilities, Inc.
Water Division

ADOPTED QUANTITIES Test Year 1999

<u>Expenses:</u>	<u>Per Year</u>
1. Purchased Power	None
Southern California Edison Company	
Quantity	65,388 kWh
Average Cost per kWh	\$0.1280
Total Purchased Power	\$8,370
2. Purchased Water	None
3. Payroll:	
Labor	None
4. Ad Valorem Taxes:	
Tax Rate	1.001216%
Assessed Value	\$82,824
Total Tax	\$ 829
5. Service Connections:	
Meter Connections – ¾-inch	250
Flat Rate Connections	None
6. Water Sales (Ccf)	59,989

(END OF APPENDIX C)

APPENDIX D

Rolling Green Utilities, Inc.
Water Division

ADOPTED TAX CALCULATIONS

Test Year 1999

Federal Tax Rate:

First \$50,000 of taxable income: 15%

California Corporate Franchise Rate: 8.84%

<u>Item</u>	<u>State Tax</u> <u>1999</u>	<u>Federal</u> <u>Tax</u>
1. Operating Revenue	\$ 71,514	\$ 71,514
2. Operating Expenses	49,244	49,244
3. Property Taxes	829	829
4. Payroll Taxes	1,982	1,982
5. Depreciation	4,440	4,440
6. Taxable Income for CCFT	15,019	
7. State Tax, \$800 minimum	1,328	1,328
8. Taxable Income for FIT		13,691
9. Federal Income Tax		2,054
10. Total Tax	1,328	2,054

(END OF APPENDIX D)